

Message Text

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ORIGIN EB-11

INFO OCT-01 AF-10 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

COME-00 CIEP-02 TRSE-00 INT-08 OMB-01 GSA-01 OEP-01

IO-12 /113 R

DRAFTED BY EB/ ISM: JCCURRAN: JS

4/20/73 EXT 21705

APPROVED BY EB/ ICD: JBKYLE

AF: RSSMITH

AF/ NI: JLLOUGHRAN

----- 129309

P 202253 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY LAGOS PRIORITY

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E. O. 11652: N/ A

TAGS: EIND, EMIN

SUBJECT: STOCKPILE DISPOSAL CONSULTATIONS

REF: STATE 70365, 66341

1. CONSULTATIONS INDICATED REFTEL WERE HELD IN DEPT APRIL 18 WITH NIGERIAN AMBASSADOR GARBA, ACCOMPANIED BY ECONOMIC COUNSELOR ANI. DEPT SPOKESMAN WAS AF DEPUTY ASST SECRETARY SMITH. ALSO PRESENT WERE ISM DIV CHIEF CURRAN AND AF/ NI ALTERNATE DIRECTOR LOUGHRAN.

2. AMBASSADOR GARBA WAS GIVEN COPIES OF PRESIDENT' S STOCK-PILE MESSAGE TO CONGRESS, WHITE HOUSE FACT SHEET, DRAFT LEGISLATION AND NEW OEP LIST OF STOCKPILE OBJECTIVES. SMITH THEN EXPLAINED PROPOSALS TO ACCELERATE EXISTING DISPOSAL PLANS, AS DESCRIBED REFTEL, FOR COLUMBIUM, RUBBER AND TIN. DEPT DATA SHEET WAS ALSO PROVIDED, SHOWING ALL STOCKPILE
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DATA ON THESE COMMODITIES CONTAINED REFTEL AND PRECEDING STOCKPILE DEPTELS.

3. EXPLAINING THAT THIS CONSULTATION WAS CHIEFLY INTENDED CONVEY INFORMATION FOR TRANSMITTAL TO GON, SMITH URGED THAT NIGERIAN EMBASSY MAKE EVERY EFFORT RESPOND TO USG PROPOSALS WITHIN TEN WORKING DAYS OF THIS MEETING, AS STATE MUST RESPOND TO URGENT GSA DEADLINE FEW DAYS THEREAFTER.

4. SMITH SUMMARIZED MARKET SITUATION AND STOCKPILE DISPOSAL PLANS ON EACH COMMODITY IN LIGHT OF PRESIDENT'S NEW POLICY. HIGHLIGHTS FOLLOW.

5. COLUMBIUM: PRESENT MARKET PRICE IS DOLS 1.10-1.15 PER POUND, NEAR RECORD HIGH. GSA INCREASED DISPOSAL RATE FROM 1.5 MILLION TO 2.5 MILLION POUNDS PER YEAR IN JANUARY 1973 AFTER LAST PRICE INCREASE. DEPT CONSULTED CANADIANS (SECOND LARGEST PRODUCERS AFTER BRAZIL); CANADIAN PRODUCER COMPANY AGREED ADDITIONAL GSA SALES SHOULD NOT RPT NOT DISRUPT MARKET.

6. EXAMINING COLUMBIUM FIGURES, NIGERIANS QUERIED APPARENT DISCREPANCY; WHITE HOUSE FACT SHEET (SENT TO EMBASSY) SHOWS MORE THAN 2.5 MILLION POUNDS OF COLUMBIUM, IN FOUR FORMS, THAT WILL REQUIRE CONGRESSIONAL AUTHORIZATION FOR DISPOSAL TO BRING STOCKPILE DOWN TO NEW OBJECTIVE LEVELS, INCLUDING 2.4 MILLION POUNDS CONCENTRATES. LEGISLATION SUBMITTED (ALSO SENT TO EMBASSY) ONLY SEEKS AUTHORIZATION TO DISPOSE OF 376,000 POUNDS, LEAVING 2.2 MILLION POUNDS APPARENTLY IN EXCESS, BUT NOT ACCOUNTED FOR.

7. SUBSEQUENT DEPT INQUIRY TO GSA DISCLOSED ANOMALOUS SITUATION: BECAUSE COLUMBIUM AND TANTALUM OCCUR TOGETHER IN COMPLEX ORES, GSA HAS ACQUIRED SUPERFLUOUS COLUMBIUM IN ORDER TO ATTAIN TANTALUM OBJECTIVES. UNACCOUNTED- FOR COLUMBIUM IS TO BE DISPOSED OF WHEN AND IF CONGRESS APPROVES DISPOSAL OF TANTALUM MINERALS IN WHICH IT IS CONTAINED. THIS COLUMBIUM DOES NOT RPT NOT REQUIRE ANY AUTHORIZATION OF ITS OWN FOR DISPOSAL. WHITE HOUSE FACT SHEET CORRECTLY NOTES ITS EXISTENCE; LEGISLATION CORRECTLY CALLS FOR AUTHORIZATION ONLY OF SMALLER AMOUNT OF OTHER FORMS (376,000 POUNDS OF COLUMBIUM CONCENTRATE EQUIV- LIMITED OFFICIAL USE

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ALENT).

8. RUBBER: SMITH EXPLAINED THAT RUBBER PRICE HAS RISEN DRAMATICALLY, NEARLY DOUBLING IN LAST 18 MONTHS, DUE TO INCREASING NATURAL RUBBER CONSUMPTION IN US. AT NEWLY PROPOSED RATES, GSA COULD RUN THROUGH WHOLE STOCKPILE BY END OF FY 1975; IF CONGRESS SHOULD NOT AUTHORIZE REQUESTED 130,000 TONS, GSA WOULD SELL OFF CURRENTLY AUTHORIZED RUBBER AT NEW RATE BY MARCH OR APRIL NEXT YEAR. USG REALIZES PROGRAM MAY CAUSE SOME RUBBER PRICE DECLINE, BUT DOES NOT BELIEVE IT WILL HAVE SERIOUS IMPACT ON PRODUCER COUNTRIES AS PRICES HIGH AND DEMAND VERY FIRM. AMBASSADOR GARBA MADE LITTLE COMMENT ON THIS PROPOSAL.

9. TIN: SMITH POINTED OUT VAST SIZE OF TIN STOCKPILE AND ITS VALUE AS UNREALIZED ASSET. IN KEEPING WITH THE

PRESIDENT'S VIEW THAT MUCH OF TWENTY- YEAR OLD STOCKPILES ARE NOW IRRELEVANT, AND NEED TO LIQUIDATE EXCESS MATERIALS TO COMBAT BUDGET DEFICIT AND FIGHT COMMODITY PRICE RISES CONTRIBUTING TO INFLATION, USG HAS FIRMLY DECIDED TO RE-ENTER TIN MARKET. DEPT MEETING WITH INTERNATIONAL TIN COUNCIL DELEGATION NEXT DAY TO CONSULT ON WORKABLE PROGRAM. AGAIN, NIGERIANS HAD LITTLE COMMENT, BEYOND POINTING OUT IMPORTANCE OF TIN TO NIGERIAN EXPORTS (ABOUT 5 PERCENT) AND AS SOURCE OF EMPLOYMENT IN BENUE- PLATEAU AREA.

10. SMITH ASSURED NIGERIAN AMBASSADOR OF DEPT'S WILLINGNESS TO CONSULT AT ANY FUTURE TIME IF NIGERIANS FELT GSA SALES WERE CAUSING SERIOUS PROBLEMS. PORTER

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